



## SUPPORT H.B. 2533 (DARBY)

### Relating to performance of an evaluation of real property for use by financial institution

#### BACKGROUND

Federal lending regulators have recently raised the financials thresholds for when lenders can rely on “evaluations” in lieu of appraisals. Evaluations can be performed by non-appraisers and do not have to comply with stringent Uniform Standards of Professional Appraisal Practice (USPAP) requirements. However, under Texas law, licensed appraisers are obligated to make their evaluations USPAP-compliant, creating an unlevel playing field for licensed appraisers, and driving up costs for both lenders and borrowers.

#### EVALUATIONS VS. APPRAISALS

- *Like appraisals, evaluations estimate the fair market value of a property, but evaluations are not required to be performed by a state-licensed or certified appraiser.*
- *Generally, transactions that qualify for the use of an evaluation are lower risk transactions for which a lender doesn’t need or want a full-blown appraisal, which is a much more detailed undertaking.*
- *Appraisals are significantly more expensive than evaluations, and fees may run hundreds or thousands of dollars more, depending on the size, location, and complexity of the review. Lenders and consumer ultimately bear these needless costs.*
- *This legislation will make an important distinction between federally-regulated lenders and non-federally regulated institutions. This will provide needed flexibility for the banking community.*

#### Other States are Modifying Their Laws in Light of the Federal Changes

There are now 11 states that allow licensed/certified appraisers to perform evaluations (Alabama, Florida, Georgia, Illinois, Indiana, Louisiana, Oregon, South Dakota, Tennessee, Utah, and Virginia). Other states that will be looking at legislation in 2021 include Missouri, Minnesota, North Dakota, Wyoming, and Wisconsin. This list is growing.

#### Lenders and Appraisers Support H.B. 2533 by Darby

##### Supporters include:

Foundation Appraisers Coalition of Texas (FACT)  
Texas Bankers Association  
Texas Mortgage Bankers Association  
Independent Bankers Association of Texas